

NATIONAL DAIRY MARKET AT A GLANCE

CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (8/13):
BUTTER: Grade AA closed at \$1.5725. The weekly average for Grade AA is \$1.5175 (-.0033).

CHEESE: Barrels closed at \$1.5100 and blocks at \$1.5500. The weekly average for barrels is \$1.5100 (N.C.) and blocks, \$1.5440 (-.0030).

NONFAT DRY MILK: Extra Grade closed at \$0.8500 and Grade A at \$0.8500. The weekly average for both Extra Grade and Grade A is \$0.8500 (N.C.).

BUTTER: Butter market opinions are mixed with the CME butter price firming this week following a sharp decline last week. Churning activity varies from coast to coast as surplus milk volumes decline and the lower priced butter is helping boost demand for Class II, fluid cream and other manufactured cream based products. Stocks of butter are about one-half the level of last year at this time, but are in better shape than many producers and handlers anticipated. Bulk and print butter demand remains relatively slow. Retail sales are slow as grocery store shelf prices have often not adjusted lower following wholesale price declines. Food service orders are seasonally steady. Resort and vacation areas are approaching the final days of the summer vacation season, thus many buyers are assessing their needs for the next two to three weeks.

CHEESE: The cheese market is steady though with a firm undertone. Natural demand has improved in recent weeks and is fair to occasionally good. Process interest is moderate. Promotional activity has improved sales for a few distributors. Orders for non-cheddar American varieties such as pepper jack are good with uncommitted supplies very tight. Current cheddar offerings are at least adequate. Current cheese production is steady to slightly lower. Milk supplies available for cheese production are expected to tighten as more schools reopen.

FLUID MILK: Milk production patterns are trending lower seasonally in many areas, but some unusually cool temperatures have steadied milk output in parts of the upper Midwest and the Northeast. Both these areas are seeing fluid milk orders steady to higher. Hot weather is impacting milk supplies in the Southeast and processors in the region continue to import milk to supplement supplies. Florida Class I needs are being assessed as two tropical storms/hurricanes hit the state and additional milk is being brought in to fill orders. In the Northwest and Mountain States, the return of hot weather is causing declines in milk production on a daily average basis. The Southwest is also receiving hotter and humid conditions and milk intakes are affected.

DRY PRODUCTS: Trends in dry products markets continue from recent weeks. Nonfat dry milk prices are steady to lower and the availability

of resale powder remains strong competition for current product. Cheese producers are beginning to use more NDM. The dry buttermilk market is mostly steady in light trading as conditions are in balance. Dry whey prices are trending lower in all regions. The weakness in prices continues as producers clear stocks. Producers claim better balance of supplies but buyer resistance remains. WPC prices are unchanged in light trading as the tone is steady to weak. Buying interest is slower from nutritional accounts. The lactose market is weak with prices unchanged. Supplies are often heavier than demand. Activity is light and mostly contractual.

CCC: For the week of August 9 - 13, CCC net purchases total 5,594,959 pounds of Western and Central NDM; 3,241,278 net pounds of NDM were purchased under price support with the balance (2,353,681 net pounds) purchased under Invitation 080 to Announcement FMP1.

ANNUAL SUMMARY OF FEDERAL MILK ORDER MARKET STATISTICS (DAIRY PROGRAMS): The 2003 annual summary of *Federal Milk Order Market Statistics* has been issued by Dairy Programs, AMS. This report is a recap of monthly statistics for individual Federal milk orders and all orders combined including: the volume of milk marketed by dairy farmers; the class utilization of this milk; class, component, and uniform prices; the disposition of fluid milk products; and, milk used to produce various manufactured products. The URL for this report is: www.ams.usda.gov/dyfmoms/mib/annsum2003.pdf This report also is available in print format from the Dairy Programs Washington, DC, office, 202-720-7461.

JUNE FLUID MILK SALES (AMS & CDFA): During June, about 4.2 billion pounds of packaged fluid milk products is estimated to have been sold in the United States. This was 1.3% lower than June 2003. After adjusting for calendar composition, sales in June 2004 were 3.0% lower than June 2003. On an individual product basis, after adjusting for calendar composition, sales of flavored fat-reduced milk increased from June 2003, while sales of whole milk, flavored whole milk, reduced fat (2%) milk, low fat (1%) milk, fat-free (skim) milk, and buttermilk decreased from a year earlier.

MAY MAILBOX MILK PRICES (AMS & CDFA): In May 2004, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$19.01, \$1.61 more than the figure for the previous month. On an individual reporting area basis, mailbox prices increased in all reporting areas except one, and ranged from \$20.98 in Florida to \$16.59 in Northwest States. In May 2003, the Federal milk order all-area average mailbox price was \$10.83, \$8.18 lower.

******SPECIAL THIS ISSUE******

WORLD DAIRY SITUATION AND OUTLOOK (PAGE 7)
 U.S. EXPORTS OF DAIRY PRODUCTS (PAGE 8)
 JUNE FLUID MILK SALES (PAGE 9)

MAY MAILBOX MILK PRICES (PAGE 10)
 DAIRY GRAPHS (PAGE 11)

**CHICAGO MERCANTILE EXCHANGE
CASH TRADING**

PRODUCT	MONDAY AUGUST 9	TUESDAY AUGUST 10	WEDNESDAY AUGUST 11	THURSDAY AUGUST 12	FRIDAY AUGUST 13	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE							
BARRELS	\$1.5100 (N.C.)	\$1.5100 (N.C.)	\$1.5100 (N.C.)	\$1.5100 (N.C.)	\$1.5100 (N.C.)	(N.C.)	\$1.5100 (N.C.)
40# BLOCKS	\$1.5400 (N.C.)	\$1.5400 (N.C.)	\$1.5400 (N.C.)	\$1.5500 (+.0100)	\$1.5500 (N.C.)	(+.0100)	\$1.5440 (-.0030)
NONFAT DRY MILK							
EXTRA GRADE	\$.8500 (N.C.)	\$.8500 (N.C.)	\$.8500 (N.C.)	\$.8500 (N.C.)	\$.8500 (N.C.)	(N.C.)	\$.8500 (N.C.)
GRADE A	\$.8500 (N.C.)	\$.8500 (N.C.)	\$.8500 (N.C.)	\$.8500 (N.C.)	\$.8500 (N.C.)	(N.C.)	\$.8500 (N.C.)
BUTTER							
GRADE AA	\$1.4600 (+.0175)	----	\$1.5200 (+.0600)	----	\$1.5725 (+.0525)	(+.1300)	\$1.5175 (-.0033)

CHEESE: carload = 40,000-44,000 lbs., NONFAT DRY MILK: carlot = 42,000-45,000 lbs., BUTTER: carlot = 40,000-43,000 lbs. *Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDA.GOV/MARKETNEWS.HTM

CHICAGO MERCANTILE EXCHANGE

MONDAY, AUGUST 9, 2004

CHEESE — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

BUTTER — SALES: 17 CARS GRADE AA: 1 @ \$1.4325, 1 @ \$1.4425, 1 @ \$1.4400, 1 @ \$1.4450, 1 @ \$1.4425, 1 @ \$1.4500, 1 @ \$1.4475, 1 @ \$1.4500, 1 @ \$1.4525, 3 @ \$1.4475, 1 @ \$1.4550, 1 @ \$1.4600, 1 @ \$1.4650, 1 @ \$1.4550, 1 @ \$1.4600; BIDS UNFILLED: 9 CARS GRADE AA: 1 @ \$1.4575, 1 @ \$1.4500, 1 @ \$1.4475, 1 @ \$1.4400, 1 @ \$1.4375, 1 @ \$1.3900, 1 @ \$1.3800, 1 @ \$1.3700, 1 @ \$1.3600; OFFERS UNCOVERED: 2 CARS GRADE AA @ \$1.5000

TUESDAY, AUGUST 10, 2004

CHEESE — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

WEDNESDAY, AUGUST 11, 2004

CHEESE — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

BUTTER — SALES: 1 CAR GRADE AA @ \$1.5200; BIDS UNFILLED: 15 CARS GRADE AA: 1 @ \$1.5200, 5 @ \$1.5100, 2 @ \$1.5050, 2 @ \$1.5000, 1 @ \$1.4900, 2 @ \$1.4800, 2 @ \$1.4725; OFFERS UNCOVERED: 1 CAR GRADE AA @ \$1.5500

THURSDAY, AUGUST 12, 2004

CHEESE — SALES: 3 CARS 40# BLOCKS: 1 @ \$1.5425, 1 @ \$1.5450, 1 @ \$1.5500; BIDS UNFILLED: 1 CAR 40# BLOCKS @ \$1.5000; OFFERS UNCOVERED: NONE

NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

FRIDAY, AUGUST 13, 2004

CHEESE — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

BUTTER — SALES: 7 CARS GRADE AA: 2 @ \$1.5300, 1 @ \$1.5350, 1 @ \$1.5475, 1 @ \$1.5700, 2 @ \$1.5725; BIDS UNFILLED: 8 CARS GRADE AA: 1 @ \$1.5725, 1 @ \$1.5550, 1 @ \$1.5450, 1 @ \$1.5425, 1 @ \$1.5350, 1 @ \$1.5275, 2 @ \$1.5225; OFFERS UNCOVERED: NONE

BUTTER MARKETS**NORTHEAST**

The market tone is weak. At the CME, the AA price fell each trading day last week. It did rebound slightly on August 9, but recent reports indicate that production and inventories are generally heavier than many market contacts anticipated. June's butter production at 97.0 million pounds was 15.2% more than June 2003 and the highest June total since 1995. Current churning activity in the East is lighter as surplus milk volumes are declining and the lower priced butter is helping boost demand for Class II, fluid cream. Demand for bulk and packaged butter remains relatively slow. Buyers are waiting to see if prices will fall further and users are showing more interest in using up existing inventories before getting back into the market. Food service orders are steady, but the summer season is winding down. Retail sales are slow. Sales of bulk butter f.o.b. East, are reported in a range of flat market to 5.5 cents over the CME price/average.

CENTRAL

The butter market tone is unsettled at midweek as the cash price recovers some of the loss of recent trading sessions. At midweek, the cash price of \$1.5200 per pound is comparable to a week ago, but well ahead of \$1.1825 last year at this time. Churning activity has been mixed in the Central part of the country. Some butter operations were actively absorbing available cream offerings while others were more hesitant. Stocks continue to run behind the last two years, but are ahead of 2000 and 2001 levels. In 2000 and 2001, butter prices peaked at \$1.8525 in early December 2000 and \$2.2250 in late August 2001. At this point, many butter producers and handlers continue to indicate that prices will

probably firm for fall, but also state that they do not foresee prices attaining 2001 levels. Current buying interest remains slow as many buyers were reluctant to place large orders in a declining market. Now that the cash price has gained some momentum, handlers and traders feel that hesitant buyers will probably return to the market. Food service orders remain seasonally steady. Resort and vacation areas are approaching the final days of the summer vacation season, thus many buyers are assessing their needs for the next two to three weeks. Bulk butter for spot sale is being reported in the 2 - 4 cents per pound range over various pricing basis.

WEST

Butter prices moved higher this week at the CME and stood at \$1.5200 on August 11, up 1 cent from a week ago. Buyers are not aggressively pursuing bulk or prints. Churning is steady and active. Butter supplies at Western plants range from light to moderate levels. Several contacts are very concerned over the recent declines in the CME price and the effect this has on inventory values. Some firms were storing butter when prices were \$1.8000 and above. Cream offerings are variable from day to day in the region, but are adequate to long for current needs. Pricing differences are allowing cream to enter California. CME butter stocks are 2.3 million pounds lower and stand at 106.6 million pounds, compared to 191.4 million pounds of stocks last year. Prices for bulk butter range from 2 to 5 cents under based on the CME with various time frames and averages.

NASS DAIRY PRODUCT PRICES**U.S. AVERAGES AND TOTAL POUNDS**

WEEK ENDING	CHEESE		NDM	BUTTER	DRY WHEY
	40# BLOCKS	38% MOISTURE BARRELS			
AUGUST 7	1.4740	1.4811	0.8573	1.6650	0.2311
	8,685,659	9,599,973	17,208,610	3,288,168	10,794,562

Further data and revisions may be found on the internet at: <http://jan.mannlib.cornell.edu/reports/nassr/price/dairy>

CHEESE MARKETS

NORTHEAST

Based on weekly averages, cheese prices continue to increase. However, CME prices (through August 9) have held or fallen since Monday, August 2. There has been relatively little trading activity at the CME so far during August. The market tone is steady to weak. Cheese production in the Northeast is mixed, mostly light to moderate. Some plants have stepped up output to meet anticipated demand, while others have less milk coming into their plants and have had to reduce operating schedules. Demand for cheese is mixed. Cheddar sales are seasonally slow to fair. Mozzarella orders are starting to improve as we transition from vacation demand to the school-year demand. So far, food service orders in resort areas are holding steady, but it is only a few weeks until Labor Day, the unofficial end of summer. Retail sales are just fair.

WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Cheddar 10# Prints	:	1.6150-2.1300
Cheddar Single Daisies	:	1.5725-2.0475
Cheddar 40# Block	:	1.6875-1.9475
Process 5# Loaf	:	1.7200-1.9275
Process 5# Sliced	:	1.7400-1.9850
Muenster	:	1.7875-1.9900
Grade A Swiss Cuts 10 - 14#	:	2.4500-2.6500

MIDWEST

The cheese market is steady. The current market is basically just "treading water" until milk supplies tighten as expected when schools reopen in the region. Demand is strong for colby, jack and related products such as pepper jack. The lead time necessary on these orders is normal to slightly extended. Cheddar offerings are at least adequate for the fair interest. Mozzarella demand is steady to occasionally improved as users rebuild working inventory for the reopening of schools and colleges. Process interest ranges from slow to fairly good, generally moderate. The unseasonably cool weather has done little to reduce cow comfort and reduce milk receipts. Fall-like temperatures in many locations at midweek were testing the all time lowest August daily high temperatures recorded. Cheese yields are around, occasionally slightly above, than expected summer levels.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Process American 5# Loaf	:	1.6900-2.0700
Brick And/Or Muenster 5#	:	2.0500-2.2025
Cheddar 40# Block	:	1.9000-2.2650
Monterey Jack 10#	:	2.1200-2.2650
Blue 5#	:	2.2975-2.7700
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.8450-2.3650
Grade A Swiss Cuts 6 - 9#	:	2.4475-2.9500

WEEKLY COLD STORAGE HOLDINGS-SELECTED STORAGE CENTERS
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

BUTTER : CHEESE

	:	
08/09/04	54,410	: 145,573
08/01/04	56,496	: 151,542
CHANGE	-2,086	: -5,969
% CHANGE	-4	: -4

WEST

Cheese prices for both natural and process varieties moved higher, reflecting average price changes at the CME. The CME prices have stabilized at \$1.51 for barrels and \$1.54 for blocks. Western contacts report an often mixed review on cheese sales. Cheddar is available and some producers are trying to divert milk while inventories are worked down. Buyers are also establishing aging programs for future needs. Swiss sales are light seasonally and facing competition from cheese from other regions and imports. Mozzarella sales are slow to higher. Some demand is redeveloping and being attributed to the up tick in pricing levels.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND
(1000 - 5000 POUNDS MIXED LOTS)

Process 5# Loaf	:	1.6625-1.9225
Cheddar 40# Block	:	1.6675-2.0200
Cheddar 10# Cuts	:	1.8475-2.0675
Monterey Jack 10#	:	1.8575-2.0175
Grade A Swiss Cuts 6 - 9#	:	2.4500-2.8700

FOREIGN

Prices are unchanged to higher and the market tone is little changed. Stocks of imported and domestically made cheeses are adequate for the seasonally slow to fair demand.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Roquefort	: TFEWR	: -0-
Blue	: 2.6400-4.2500	: 1.9100-3.4000*
Gorgonzola	: 3.6900-5.9400	: 2.4150-2.4900*
Parmesan (Italy)	: TFEWR	: 3.3200-3.4300*
Romano (Italy)	: 2.1000-3.1500	: -0-
Provolone (Italy)	: 3.4400-5.5500	: 1.9200-2.1450*
Romano (Cows Milk)	: -0-	: 3.1050-5.2800*
Sardo Romano (Argentina)	: 2.8500-3.2900	: -0-
Reggianito (Argentina)	: 2.6900-3.2900	: -0-
Jarlsberg-(Brand)	: 2.9500-4.0900	: -0-
Swiss Cuts Switzerland	: -0-	: 2.4500-2.6500
Swiss Cuts Finnish	: 2.5900-2.8500	: -0-
Swiss Cuts Austrian	: TFEWR	: -0-
Edam	:	:
2 Pound	: TFEWR	: -0-
4 Pound	: 2.1900-3.4500	: -0-
Gouda, Large	: TFEWR	: -0-
Gouda, Baby (\$/Dozen)	:	:
10 Ounce	: 27.8000-31.7000	: -0-

* = Price change.

FLUID MILK AND CREAM

E A S T

Spot shipments of Grade A milk into or out of Florida and other Southeastern states

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	126	0	93	0	61	0
SOUTHEAST STATES	0	0	0	0	0	0

Milk production continues to hold in the Northeast and decline in the Southeast. Reports from Florida indicate that the milk flow is falling at a more rapid pace now that temperatures are staying hot around the clock. In the Middle Atlantic area, milk production is also declining, but at more modest pace. Cooler, rainy weather continues in New York, Pennsylvania, and New England, which is helping keep milk output above anticipated levels. The very wet spring and summer in New York and New England are having a pronounced impact on corn and hay production. First and second cutting hay quality is mostly rated as poor to fair. Florida, the Southeast Coast, and the Gulf Coast states are bracing themselves for tropical storms Bonnie and Charley, both threatening to make landfall in the next week. These storms have triggered panic buying of milk, water, and other staples. Couple that buying surge with the fact that schools are reopening, we see Class I demand greatly improved. Bottlers are ordering more milk to meet these demands and suppliers have to reach to, or find, different sources for the needed loads. Florida's milk needs increased this week with over 120 loads imported. Contacts feel that as the schools get back in session and the milk flow drops, the volumes will increase in coming weeks. In the Northeast, bottled milk sales are steady. Surplus milk volumes are tight in the Southeast, moderate in the Northeast. There is little manufacturing taking place in the Southeast. The condensed skim market is about steady and prices unchanged. However, some plant contacts do report steady milk supplies, little demand for wet solids, and dryers operating daily. Class III sales are limited as cheese makers, if they are supplementing their milk with extra solids, are doing so with NDM. The fluid cream market is mixed. With the butter price at the CME dropping nearly 25 cents last week, spot buyers have adopted a wait and see attitude. Contacts report that cream supplies were "sloppy" late last week, but in better balance early this week. Some reduced multiples coupled with the sharply lower butter average have produced significantly lower cream prices. Spot demand remains relatively slow for mid August. The cool, rainy weather are cited as a couple reasons for ice cream's lackluster sales at retail. High retail prices and smaller package size are others. Ice cream output is often slower as producers are assessing inventories and adjusting operating schedules accordingly. Cream suppliers also report that cream cheese production is about steady. Churning activity is lighter at most plants.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT

F.O.B. PRODUCING PLANTS: NORTHEAST	-	1.9922-2.1900
DELIVERED EQUIVALENT ATLANTA	-	2.0227-2.2051 M 2.0531-2.2052
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	2.0379-2.1595

PRICES OF CONDENSED SKIM, \$ PER LB SOLIDS

F.O.B. PRODUCING PLANTS:	
NORTHEAST- CLASS II - INCLUDES MONTHLY FORMULA PRICES	- .9150- .9550
NORTHEAST- CLASS III - SPOT PRICES	- .9700-1.0200

M I D W E S T

Class I demand was generally a little stronger in the region, aided by lower retail prices, with or without promotional activity. Reports indicate that some bottlers are scheduling additional milk volumes for next week to start bottling for the reopening of some schools in the region during the last full week of August. Additional schools will be reopening over the following 2 weeks. Milk shipments into the Southeast continue. Manufacturing milk interest was generally good though a little slower around midweek for one handler. Reported spot manufacturing milk premiums range from around \$1.75 to \$2.25 over class

fob. Most plant operators are expecting tighter milk supplies as schools reopen so they are trying to build a little working inventory to help cover orders over the next several weeks. Milk supplies are tight to adequate. Current milk intakes, at least in the upper portion of the region are little changed. Unseasonably cool August temperatures in many of the upper tier states have not pressured cows as normally expected. A few comments also indicated that milk components may have edged higher at some locations, also abnormal during August. Other areas further south are seeing more normal summer temperatures and are seeing usual production patterns. While much of the country is anticipating excellent crops, such as an estimated 10.9 billion bushel corn crop, up 809 million bushels (+8%) from 2003, lagging maturity and the continuing abnormally cool growing season is a concern in Wisconsin and some nearby states. The estimated hay yield is higher, combined alfalfa and all other hay for the U.S. is up 3% from last year and higher in most upper tier Central states. The large share of lesser quality forage, particularly first cutting, and its impact on milk production particularly next winter, is also another concern in the upper Midwest where more producers grow much of their own feed.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	AUG 5 - AUG 11	PREVIOUS YEAR
SLAUGHTER COWS	\$ 54.00- 62.50	\$ 45.00- 51.50
REPLACEMENT HEIFER CALVES	\$310.00-600.00	\$350.00-550.00

SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)

	AUG 5 - AUG 11	PREVIOUS YEAR
SLAUGHTER COWS	\$ 56.00- 62.00	\$ 45.00- 55.00

W E S T

The September 2004 Class 1 prices in CALIFORNIA range from \$15.64 in the north to \$15.92 in the south. The statewide average Class 1 price based on production is \$15.70. The average is \$.38 higher than August 2004 but \$.49 lower than September 2003. Milk production across CALIFORNIA is steady to slightly higher from recent weeks following more moderate temperatures. However, contacts were preparing for declines in production as day time highs return into triple digits across most of the state. Milk supplies are ample for current demand in the state. Several cheese producers continue to curtail milk intakes to help balance inventories. Fluid milk sales are mixed. High retail prices have been slow to recede, despite drops in the wholesale price. A consumer group has documented this in the San Francisco area. Some schools and colleges are beginning fall schedules and others will stagger over the next month. The filling of milk pipelines for this need will take extra milk. Additionally, home milk buying patterns are more consistent. Haying conditions in the state are good, but quality is limited. Condition remains hot in ARIZONA and milk output remains seasonally limited with total volumes leveling off. There are more cows and new dairies in the state that have added to total production numbers. Plants are running at scheduled levels. NEW MEXICO milk production is slipping lower due to hot and humid condition. Milk is being shipped to other regions to fill local shortages. Bottled milk interest is increasing. The CREAM market is weaker following sharp declines in the butter price at the CME last week. Demand from ice cream producers in California is good following the lower class prices for August/September. Cream buyers are finding it more lucrative to import cream into the state versus using local supplies. Overall, cream prices are lower. Cream multiples are steady in the range of 124-132, FOB and vary depending on class usage and basing point. Hot weather conditions remain a negative factor to milk production in the PACIFIC NORTHWEST with temperatures reaching 100 degrees. Some plants would like more milk to help meet orders of finished products. A dairy heifer sale in the region saw prices for springer heifers \$100 lower than last month on a limited market test. Milk output is lower in both UTAH and IDAHO due to increasing temperatures. Milk supplies are adequate for processor needs. Utah water supply issues are making news and there are concerns about crops being made this year. Hay prices are steady to firm.

NDM, BUTTERMILK & WHOLE MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

NONFAT DRY MILK - CENTRAL AND EAST

CENTRAL: Prices are mostly unchanged on a steady market. Production is steady to lower as milk is diverted into cheese and bottling operations instead of butter/powder plants. Milk production has been more than expected this summer, encouraging higher NDM supplies than anticipated. Some spot interest from cheese plants is noted for low heat NDM. Most movement on current stocks is contractual. Aged 2 year old NDM is being offered in the low 70's for the light interest. The continued availability of CCC exchange NDM is reducing interest in current NDM production at some locations. High heat supplies are in balance with demand. Low/medium heat mostly prices for Report 32 in 2003 were .8250 - .8600. High heat prices for Report 32 in 2003 were .8625 - .9450.

EAST: Eastern prices are steady to lower and the market tone is showing a little weakness in scattered instances. Production levels are much lighter in the Southeast where surplus milk volumes are now limited. However, drying activity in the Northeast is moderate to heavy. Some plants are drying seven days a week, while others are making NDM 4-5 days a week, depending on surplus milk volumes. Demand for current production is steady, at best. Buyers are easily able to purchase NDM once owned by CCC at prices in the \$.70's. These users are showing little interest in current product, which has forced some producers to lower prices on low heat to keep powder moving out the door. High heat continues to move fairly well and stocks are in better balance with needs. Producer stocks are generally long, but with schools starting to reopen, most producers feel they will need their stocks before the end of the year. According to some contacts, this may or may not be an accurate assessment. They point to all of the resale NDM and wonder how long it will take to clear it. Western NDM continues to be offered to CCC.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A

LOW/MEDIUM HEAT: .8000 - .9800 MOSTLY: .8500 - .8700

HIGH HEAT: .9150 - 1.2000

NONFAT DRY MILK - WEST

Low/medium heat nonfat dry milk prices are fully steady in light to moderate trading. The market tone is unsettled and this is attributed to the availability of numerous sources of resale NDM. Buyers are also looking to all sources as they assess what they are paying under their contract prices. Cheese producers are using more NDM in production as cheese prices have stabilized. Several firms continue to direct export NDM at prices in the top section of the range because of higher world prices and limited availability. There has been no information releases on this DEIP year program. Additional offering to the CCC are expected as export contract sales are filled. During the week of August 2 - 6, a total of 2,132,632 pounds of Western NDM were offered to the government CCC program as a price support purchase. High heat prices are unchanged in limited trading. Demand remains light. Imported offerings are also available at current prices.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A

LOW/MEDIUM HEAT: .7950 - .8800 MOSTLY: .8200 - .8625

HIGH HEAT: .8500 - 1.0100

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
August 6	\$.8462	11,685,954	Not Available
July 30	\$.8462	21,917,440	599,595

Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Total sales (pounds) include sales to CCC. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

DRY BUTTERMILK - CENTRAL

Prices remain unchanged and nominal on a steady market. Despite reports that producers are "comfortable" with holding additional stocks, offering prices are predominantly noted at the lower end of the range. Resale trades are reported at prices just below the range. Demand is very light with most movement occurring on a contractual basis. Production is steady to lower as milk is diverted away from the butter/powder mix and into cheese and fluid operations. As more milk is bottled for schools, extra cream is expected to be available for the production of butter and buttermilk. Prices for Report 32 in 2003 were .8250 - .8750.

F.O.B. CENTRAL:

1.0500 - 1.1800

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices are steady to higher and the market tone is unchanged. However, there are unconfirmed reports of lower prices being offered in both the direct and resale markets. One contact did comment that he is getting more inquiries for dry buttermilk. This may be buyers shopping for better prices or an indication the users are coming back into the market. However, there are still comments regarding price resistance to the higher prices. With all the low priced NDM in the marketplace, dry buttermilk demand has not improved as expected. Production is lighter, corresponding to the lighter churning activity. Plant stocks are fairly well balanced. Some "off spec" powder is available at a discount to the market. Northeastern prices remain nominal and include resale loads.

F.O.B. NORTHEAST:

1.0000 - 1.0900

DELVDSOUTHEAST:

1.0100 - 1.1500

DRY BUTTERMILK - WEST

Western buttermilk prices are mostly steady with prices higher on the top end of the range. The market tone is steady, but unsettled. Demand is fair for the limited spot offerings. In recent weeks, additional loads have become available to fill contracts and some have been offered on the spot market. There is reluctance from some buyers who can find other products and fat at competitive and often lower prices. This is especially true with the older and cheaper skim powder on the market. The drop in the butter price has also lowered the fat value in dry buttermilk. Drying schedules are higher than projected in the region as cream is still being churned. Stocks are light to moderate.

F.O.B. WEST:

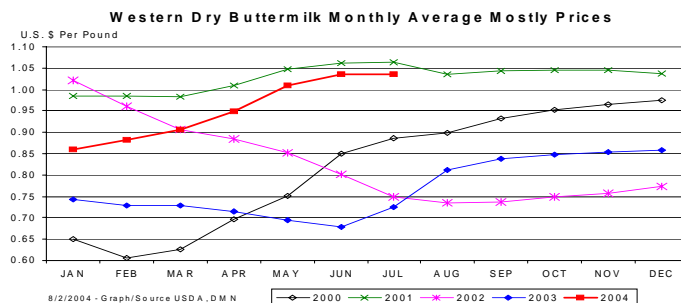
1.0300 - 1.0750 MOSTLY: 1.0300 - 1.0400

DRY WHOLE MILK - NATIONAL

Prices are mostly steady to occasionally lower and nominal. The market tone remains weak with spot demand slow. Production levels are generally light. Plant stocks are light to balanced.

F.O.B. PRODUCING PLANT:

1.2850 - 1.4400



WHEY, CASEIN & EVAPORATED MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

DRY WHEY - CENTRAL

Prices are unchanged to lower on a weak market. Trade activity is light. Most transactions are occurring on the resale market at prices near the lower end of the range. Traders report that buyers are expressing price resistance. Producers believe the market may be nearing the bottom. Feed buyers are expressing renewed interest for this fall and the 2005 year as excess stocks purchased during the second quarter are slowly being depleted. Production is steady to higher as some cheese plants that previously made a concerted effort to reduce production during July, resume normal schedules. Mostly prices for Report 32 in 2003 were .1600 - .1650.

F.O.B. CENTRAL: .2125 - .2275 MOSTLY: .2125 - .2275

DRY WHEY - NORTHEAST AND SOUTHEAST

Prices continue to move lower. The market tone is unchanged in the East. Most producers are sold out for the remainder of the year and some have made additional cuts to existing contracts. Production levels in the East are well below anticipated levels. With schools scheduled to reopen in a few weeks, cheese and whey output will be further reduced. Traders with contracts are getting most of their volumes, but they continue to report a lackluster demand and little market activity. Some comment that the lack of activity has lingered since early July. Reportedly, Central producers continue to offer product, but the discounts seen the past few weeks are now less frequent or smaller.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .2275 - .2650
DELVD SOUTHEAST: .2450 - .2575

DRY WHEY - WEST

Dry whey prices are slightly lower on the bottom of the range and on the top end of the mostly series. The market tone is steady to slightly weak. Offerings are available from some producers, but generally are becoming more in balance. Price discounts did occur as producers cleared product. Exports have been active in recent weeks, most often at the lower end of the range. Other producers are returning to normal pricing schemes after moving extra loads and they are more comfortable with inventory positions. Stocks range from light to moderate.

NONHYGROSCOPIC: .1950 - .2700 MOSTLY: .2100 - .2250

ANIMAL FEED WHEY - CENTRAL

Prices are unchanged to lower and nominal on a weak market. Trade activity is light. With a weak Extra Grade whey market and heavy supplies of permeate available, buyers are resisting purchasing additional loads of milk replacer whey. Veal and early weaned pig prices are generally trending steady. Prices for Report 32 in 2003 were .1400 - .1525.

F.O.B. CENTRAL:
MILK REPLACER: .1900 - .2000

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are generally unchanged on a steady to weak market. Trade activity is light. Extra supplies of high protein product are reportedly encouraging prices lower. Reduced interest from some nutritional users is also noted. Inquiries from feed facilities are increasing as heavy stocks purchased during second quarter are slowly being depleted. WPC production is mostly steady. Supplies of off grade WPC are readily available for the light interest. Mostly prices for Report 32 in 2003 were .4300 - .4400.

F.O.B. EXTRA GRADE 34% PROTEIN: .5700 - .6400 MOSTLY: .6100 - .6400

LACTOSE - CENTRAL AND WEST

Prices are mostly unchanged on a weak market. Trade activity is light. Offering prices are noted below the average for the light interest. Some contracts for fourth quarter are also finalized at prices below .2250. Inventories are mixed with some plants reporting that stocks are well in balance whereas others are running long and have loads to clear. Production is mostly steady. Feed grade lactose is available for the light interest. Mostly prices for Report 32 in 2003 were .1900 - .1950.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.

F.O.B. EDIBLE: .2000 - .2700 MOSTLY: .2200 - .2300

CASEIN - NATIONAL

Casein markets remain firm. The supply situation is little changed from recent months. Supplies are in very close balance for contracted volumes with spot availability virtually non existent. Often, regular customers are not getting their volumes as scheduled and are looking to other sources for additional supplies. In most instances, these inquiries are going unfilled. The Commodity Credit Corporation (CCC) has issued invitation #023 to buy from CCC approximately 2 million pounds of government owned nonfat dry milk for the production of casein/caseinates. Offers to buy are due on Monday August 16, with public notification of the awards on Wednesday, August 18. Since June 2002, CCC has sold nearly 21.4 million pounds of NDM for this purpose at prices ranging \$.2200 - .3825 per pound. The most recent award price was at the top end of the range.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE F.O.B., U.S. WAREHOUSE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET: 2.5500 - 2.8000
ACID: 2.5500 - 2.8500

EVAPORATED MILK - NATIONAL

Prices and the market tone are unchanged. Production levels are steady to lighter as less surplus milk is available in some parts of the country. Demand is mostly steady, but fall/winter needs are being assessed. The anticipation of additional price increases for canned evaporated milk has some buyers thinking about purchasing ahead of possible increases. However, most continue to resist any price increase announcements. Producer inventories are adequate for current needs.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$22.00 - 30.00

Excluding promotional and other sales allowances. Included new price announcements.

WORLD DAIRY SITUATION AND OUTLOOK

Summary - There has been little change in the fundamentals that have led to the strong global demand growth for dairy products in late 2003 and early 2004. On the economic front, world gross domestic product (GDP) growth for 2004 is expected to moderate from the 6 percent annualized pace experienced in the second half of 2003 to a respectable 4 percent plus rate. In the key import markets of Asia, GDP growth remains high with forecast GDP increases for 2004 ranging from around 8 percent for China to 5.4 percent for the ASEAN-4 countries. Consequently, global import demand for dairy products for the second half of 2004 is expected to remain strong and will continue to pressure available exportable supplies. The production outlook for the upcoming season in Oceania remains mixed. Although New Zealand will likely follow trend increases in milk output of 3-4 percent, climatic conditions in Australia had not improved sufficiently to completely alleviate the rainfall deficit in key producing areas. Adequate rainfall in the next several months will be critical to mitigate the effects of drought during the past two seasons. In addition, the rapid appreciation of Oceania currencies relative to the U.S. dollar has substantially offset gains in global prices experienced in the first half of 2004. A reversal leading to the depreciation of the Australian dollar vis-à-vis the U.S. dollar will boost farmer's income and aid substantially in restoring output to pre-drought levels.

In the EU-15, output is virtually unchanged from last year, however, the trade environment has been complicated due to the implementation of reforms to the Common Agricultural Policy (CAP) and the accession of 10 new countries to the EU. These factors plus the rapid rise in the value of the Euro have led to frequent changes in the terms governing subsidized exports of dairy products. In the United States, milk production lags previous year rates and the current forecast is for a marginal decline in CY 2004 output. Domestic demand has been a key driver leading to record high milk prices but it appears that these elevated prices may also be starting to impact demand negatively. Prices for cheese have recently tumbled and coupled with a slide in butter prices this suggests that milk prices for the next half of the year will be lower than first half prices.

At present, global prices of major dairy commodities are likely to remain strong but past price cycles suggest that once above \$2,000/ton, import demand for dairy products starts to wane. The weakness of the dollar also will raise import costs, although in many key Asian import markets, Governments have intervened to the extent that domestic currencies have been effectively depreciated. Consequently, global prices are probably at their peak and will likely moderate for the rest of the year.

Dairy Trade - There have been no significant revisions in trade forecasts. Given the high prices of dairy commodities prevailing on world markets, major exporting countries have drawn down ending stocks in order to meet import demand. In the United States, the NDM export forecast for 2004 has been raised by 17 percent from the previous report to 175,000 tons. Trade reports indicate that some 35,000 to 45,000 tons of NDM have been already sold for export without the aid of subsidies and there is speculation of further substantial orders pending.

There are, however, some indications that the strength in commodity prices is starting to impact import demand. In the butterfat sector, Russian purchases have frequently been cited as a critical factor in influencing global butter prices. In the first quarter of 2004 imports of butterfat are down by 24 percent compared to the same quarter in 2003. Russia is expected to import a total of 135,000 tons of butterfat in 2004 – unchanged from 2003.

U.S. Exports of Dairy Products - The value of U.S. exports this fiscal year through April 2004 is currently running 25 percent above the year to date level attained in 2003. As a result, the U.S. export value forecast for FY 2004 has been raised 10 percent to \$1.1 billion. On a calendar year basis, year-to-date exports are currently up 38 percent over last year. There were significant gains in exports of milk powder likely due not only to sales under the Dairy Export Incentive Program and food aid programs, but also some commercial sales. In the first four months of 2004, the volume of U.S. milk powder exported surged by 71 percent to reach nearly 64,000 tons. At present with world market prices for NDM at over \$2,000/ton, U.S. NDM is competitive in the export market. It is estimated that some 30,000 to 40,000 tons of NDM may have been already sold for delivery through to November 2004 and additional substantial sales may be pending. Exports of other dairy products (such as lactose and infant formula) and cheese have also experienced strong gains.

SOURCE: "Dairy: World Markets and Trade", Circular Series, FD 1-04, July 2004, Foreign Agricultural Service, USDA. For more information contact Authur Coffing at (202) 720-3761. This summary has been condensed by the Market Information Branch, Dairy Programs, AMS.

U.S. EXPORTS OF DAIRY PRODUCTS

Commodity	2002	2003	Jan.-Apr. 2004		2002	2003	Jan.-Apr. 2004	
	Quantity		Quantity	% change from prev. year ^{4/}	Value		Value	% change from prev. year ^{4/}
	1,000 Metric Tons			Percent	\$ Million			Percent
Milk Powder								
Non-Fat Dry Milk	74,375	114,778	47,976	111	115.1	182.7	87.3	137
Dry Whole Milk & Cream	37,826	26,084	15,964	8	44.8	34.8	26.0	29
Total Milk Powder	112,201	140,862	63,940	71	159.9	217.5	113.3	98
Condensed & Evap. Milk	11,823	17,209	9,610	36	11.8	18.6	9.4	13
Fluid Milk & Cream ^{1/}	22,970	29,863	9,322	41	20.4	26.0	7.4	25
Yogurt & Other Ferm. Milk ^{2/}	1,971	2,019	630	-25	12.3	9.3	2.4	-14
Butter & Milkfat	3,866	11,626	3,870	210	5.8	17.4	5.1	132
Ice Cream	36,855	29,202	8,158	-9	74.0	56.3	16.8	4
Cheese & Curd								
Cheese, All Kinds	23,882	16,413	7,858	51	69.3	51.6	24.8	60
Cheese, Inc. Mixt.	12,220	14,524	4,897	17	37.1	43.5	16.4	39
Cheese Processed	9,896	9,030	2,863	6	31.1	27.1	9.3	16
Other	7,911	12,144	5,277	25	22.9	29.9	14.3	66
Total Cheese	53,909	52,111	20,895	28	160.4	152.1	64.9	48
Casein	2,419	2,903	1,028	23	10.1	13.4	5.1	31
Whey								
Whey Protein Conc.	22,951	20,978	8,608	58	40.6	38.0	12.7	23
Dried Whey	150,676	139,244	47,929	-4	84.2	80.7	25.1	-15
Other ^{3/}	---	---	---	---	13.4	15.4	7.3	26
Total Whey ^{3/}	---	---	---	---	138.2	134.1	45.1	-1
Other Dairy Products								
Lactose	118,224	142,709	49,862	12	69.5	82.9	32.2	34
Infant Formula	26,981	26,610	9,180	6	87.8	91.2	33.1	16
Food Preps.	50,198	56,105	20,021	33	84.0	84.4	30.1	15
Other ^{3/}	---	---	---	---	111.2	98.9	42.9	38
Total Other Dairy Prods. ^{3/}	---	---	---	---	352.5	357.4	138.3	26
TOTAL ^{3/}	---	---	---	---	\$945.5	\$1,002.0	\$407.9	38

^{1/} Quantity is shown in million liters. ^{2/} Quantity is shown in mixed units. ^{3/} Quantity not shown as data are reported in mixed units.
^{4/} Change in quantity/value for Jan.-Apr. 2004 from quantity/value for Jan.-Apr. 2003.

SOURCE: "Dairy: World Markets and Trade", FD 1-04, July 2004, U.S. Department of Agriculture, Foreign Agricultural Service, Washington, DC. For further information, contact Arthur Coffing at (202) 720-3761.

JUNE FLUID MILK SALES

During June, about 4.2 billion pounds of packaged fluid milk products is estimated to have been sold in the United States. This was 1.3 percent lower than June 2003. After adjusting for calendar composition, sales in June 2004 were 3.0 percent lower than June 2003. On an individual product basis, after adjusting for calendar composition, sales of flavored fat-reduced milk increased from June 2003, while sales of whole milk, flavored whole milk, reduced fat (2%) milk, low fat (1%) milk, fat-free (skim) milk, and buttermilk decreased from a year earlier

Editor's Note: Additional data can be found at <http://www.ams.usda.gov/dyfmoms/mib/in-areales.htm>

**ESTIMATED TOTAL U.S. SALES OF FLUID MILK PRODUCTS,
JUNE 2004, WITH COMPARISONS 1/**

Product Name	Sales		Change from: 2/	
	June	Year to Date	Previous Year	Year to Date
	Mil. Lbs.		Percent	
Whole Milk	1,406	8,856	-3.4	-2.7
Flavored Whole Milk	64	442	-19.6	-11.3
Reduced Fat Milk (2%)	1,371	8,649	-0.4	-0.7
Low Fat Milk (1%)	476	3,085	-0.7	-2.2
Fat-Free Milk (Skim)	615	3,865	-0.3	-2.7
Flavored Fat-Reduced Milk	180	1,792	13.6	8.4
Buttermilk	43	267	-3.3	-3.7
Total Fluid Milk Products 3/	4,169	27,041	-1.3	-1.4
Total Fluid Milk Products Adjusted 3/ 4/	4,163	26,885	-3.0	-2.0

1/ These figures are representative of the consumption of fluid milk products in Federal milk order marketing areas and California, which accounts for approximately 92 percent of total fluid milk sales in the United States. An estimate of total U.S. fluid milk sales is derived by interpolating the remaining 8 percent of sales from the Federal milk order and California data. 2/ Percent changes, as well as sales volumes, unless otherwise noted, are shown on an unadjusted basis; see 4/. 3/ Total fluid milk products include the products listed plus miscellaneous products and eggnog. 4/ Sales volumes and percent changes have been adjusted for calendar composition; see http://www.ams.usda.gov/dyfmoms/mib/clndr_comp_rpt.pdf

**PACKAGED SALES OF TOTAL FLUID MILK PRODUCTS IN FEDERAL MILK ORDERS
AND CALIFORNIA, JUNE 2004, WITH COMPARISONS 1/**

Area (Order Number)	Sales		Change from: 2/	
	June	Year to Date	Previous Year	Year to Date
	Mil. Lbs.		Percent	
Northeast (001)	746	4,749	-0.5	-1.1
Appalachian (005)	267	1,721	1.1	1.3
Southeast (007)	360	2,346	-1.7	-3.0
Florida (006)	218	1,458	-0.7	0.5
Mideast (033)	467	3,109	-2.3	-1.7
Upper Midwest (030)	329	2,148	0.2	-1.2
Central (032)	350	2,295	-0.1	-0.8
Southwest (126)	324	2,084	2.0	0.2
Arizona-Las Vegas (131)	102	653	3.3	0.7
Western (135) 3/	--	---	---	---
Pacific Northwest (124)	170	1,066	2.0	-1.2
California (---)	503	3,158	-3.8	-2.7

1/ These figures are representative of the consumption of total fluid milk products in the respective area; see 3/ above for the products included. 2/ Percent changes, as well as sales volumes, are shown on an unadjusted basis; see 4/ above.

3/ Effective April 1, 2004, the Western Federal milk order was terminated.

SOURCE: Monthly reports filed by milk processors subject to the provisions of the applicable Federal milk order, AMS, USDA, and *California Dairy Information Bulletin*, California Agricultural Statistics Service and Milk Stabilization Branch.

MAILBOX MILK PRICES FOR SELECTED REPORTING AREAS IN FEDERAL MILK ORDERS AND CALIFORNIA, MAY 2004

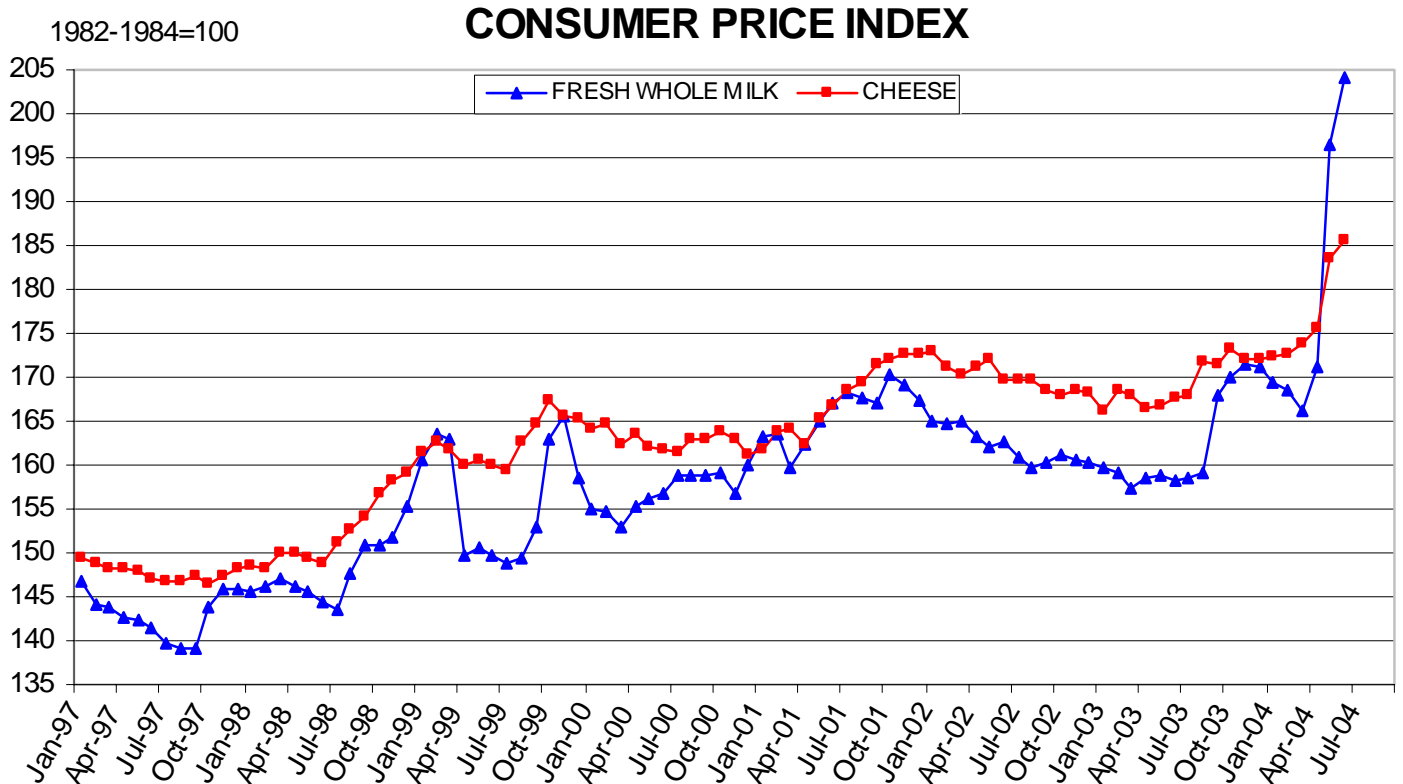
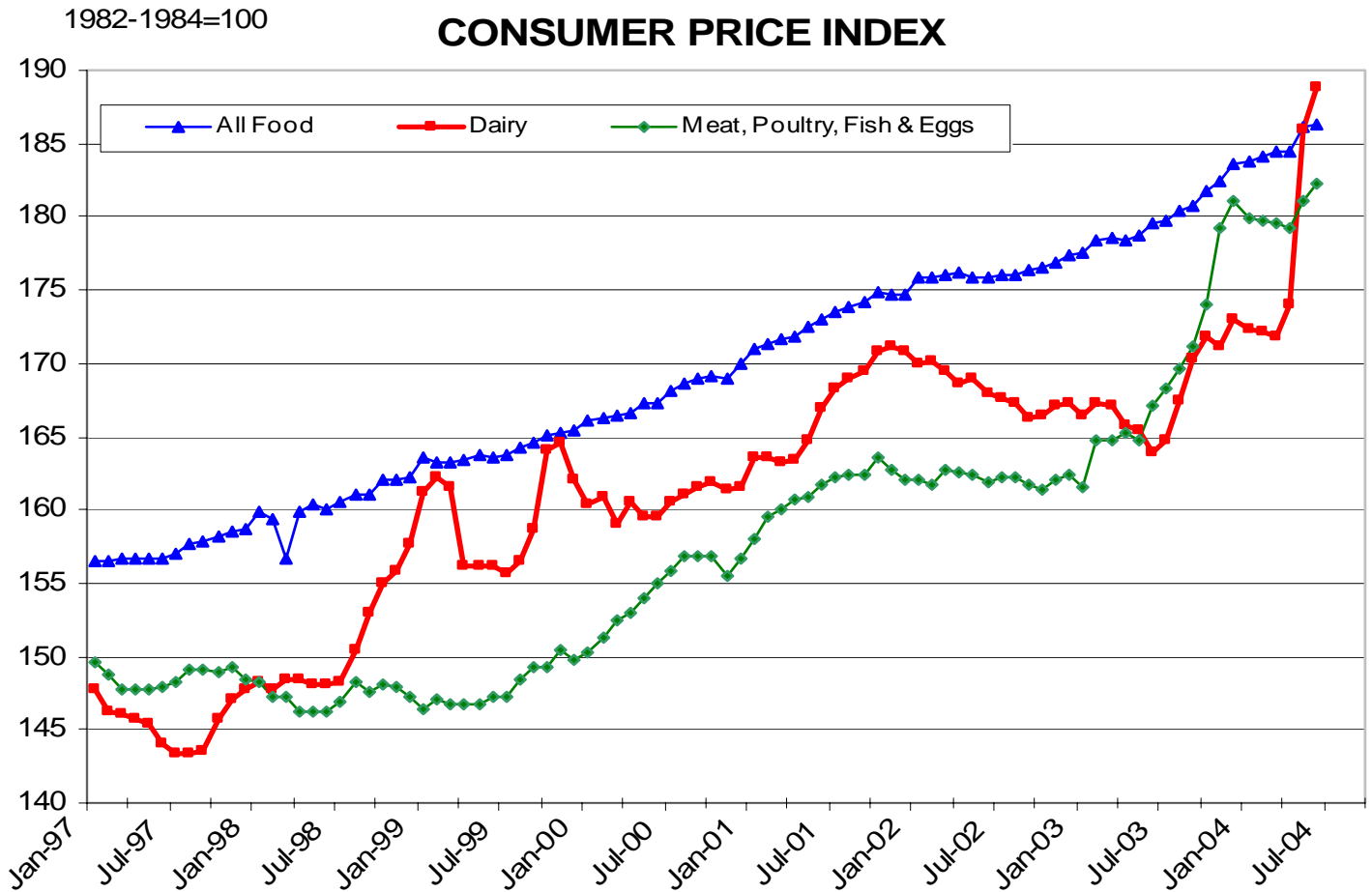
In May 2004, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$19.01 per cwt., \$1.61 more than the figure for the previous month. The component tests of producer milk in May 2004 were: butterfat, 3.57%; protein, 2.98%; and other solids, 5.71%. On an individual reporting area basis, mailbox prices increased in all reporting areas except one, and ranged from \$20.98 in Florida to \$16.59 in Northwest States. In May 2003, the Federal milk order all-area average mailbox price was \$10.83, \$8.18 lower.

Notes: 1.) Mailbox prices for Idaho and Utah has been discontinued due to the termination of the Western Federal milk order on 4/01/04. Information for Idaho may become available again depending of future pooling decisions. 2.) As a reminder, the mailbox price data series includes, for the most part, milk not-pooled under Federal orders due to disadvantageous price relationships.

Reporting Area	Mailbox Milk Price <u>2/</u>		
	May 2003	April 2004	May 2004
	Dollars per hundredweight		
Northeast Federal Milk Order	11.10	17.12	19.28
Appalachian States <u>3/</u>	11.32	15.95	19.02
Southeast States <u>4/</u>	11.69	16.52	19.79
Southern Missouri <u>5/</u>	10.71	15.16	18.45
Florida	13.18	18.07	20.98
Ohio	10.84	16.30	18.90
Indiana	---	16.36	19.14
Michigan	10.66	16.34	18.28
Wisconsin	11.04	19.89	20.39
Minnesota	10.95	19.81	19.80
Iowa	10.83	18.55	19.29
Illinois	10.89	17.63	19.48
Corn Belt States <u>6/</u>	10.66	16.07	17.40
Western Texas <u>7/</u>	10.48	16.35	18.16
New Mexico	9.62	15.27	16.85
Idaho	9.87	---	---
Utah	9.64	---	---
Northwest States <u>8/</u>	10.39	15.00	16.59
All Federal Order Areas <u>9/</u>	10.83	17.40	19.01
California <u>10/</u>	10.13	17.21	NA

NA=Not Available.

1/ Information is shown for those areas for which prices are reported for at least 75% of the milk marketed under Federal milk orders. The price shown is the weighted average of the prices reported for all orders that received milk from the area. As applicable, includes milk not-pooled due to disadvantageous intra-order price relationships. 2/ Net pay price received by dairy farmers for milk. Includes all payments received for milk sold and all costs associated with marketing the milk. Price is a weighted average for the reporting area and is reported at the average butterfat test. Mailbox price does not include any Milk Income Loss Contract (MILC) payments. Mailbox price does include, for the most part, the \$0.05 per cwt. assessment under the Cooperatives Working Together (CWT) program. 3/ Includes Kentucky, North Carolina, South Carolina, Tennessee, and Virginia. 4/ Includes Alabama, Arkansas, Georgia, Louisiana, and Mississippi. 5/ The counties of Vernon, Cedar, Polk, Dallas, Laclede, Texas, Dent, Crawford, Washington, St. Francois, and Perry and all those to the south of these. 6/ Includes Kansas, Nebraska and the Missouri counties to the north of those listed in 5/. 7/ All counties to the west of Fanin, Hunt, Van Zandt, Henderson, Anderson, Houston, Cherokee, Nacogdoches, and Shelby. 8/ Includes Oregon and Washington. 9/ Weighted average of the information for all selected reporting areas in Federal milk orders. 10/ Calculated by California Department of Food and Agriculture, and published in "California Dairy Information Bulletin."



Source: US Dept of Labor, BLS, Graph: DMN

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF AUGUST 9 - 13, 2004			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/03	SAME PERIOD LAST YEAR	WEEK ENDING 08/06/04	SAME PERIOD LAST YEAR
BUTTER							
Bulk	-0-	-0-	-0-	-42,309	10,133,351	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	1,313,280	-0-	-0-
TOTAL	-0-	-0-	-0-	-42,309	11,446,631	-0-	-0-
CHEESE							
Block	-0-	-0-	-0-	-0-	3,840,106	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	5,545,706	-0-	-0-
Process	-0-	-0-	-0-	-0-	31,838,400	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	41,224,212	-0-	-0-
NONFAT DRY MILK							
Nonfort	7,034,050	1,439,091	5,594,959	338,224,340	583,817,852	543,272,000	1,230,007,000
Fortified	-0-	-0-	-0-	-119,048	596,814	46,391,000	46,391,000
TOTAL	7,034,050	1,439,091	5,594,959	338,105,292	584,414,666	589,663,000	1,276,398,000

Export Donation Program under Invitation 080 to announcement FMP1. The estimated cumulative under Invitation 080 is 96,912,119 \$ Includes export donation deliveries under Invitation 070.

MILK EQUIVALENT, FAT SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF AUGUST 9 - 13, 2004 =	1.2	65.1	COMPARABLE PERIOD IN 2003 =	1.9	101.3
CUMULATIVE SINCE OCTOBER 1, 2003 =	73.5	3,935.5	CUMULATIVE SAME PERIOD LAST YEAR =	758.6	7,212.1
CUMULATIVE JANUARY 1 - AUGUST 13, 2004 =	48.0	2,586.3	COMPARABLE CALENDAR YEAR 2003 =	684.5	5,946.5

* Factors used for Fat Solids Basis - Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22

**Factors used for Skim Solids Basis - Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

CCC ADJUSTED PURCHASES FOR THE WEEK OF AUGUST 9 - 13, 2004 (POUNDS)

REGION	BUTTER			CHEESE			NONFAT DRY MILK	
	BULK	PACKAGED	UNSALTED	BLOCK	BARREL	PROCESS	NONFORTIFIED	FORTIFIED
CENTRAL	-0-	-0-	-0-	-0-	-0-	-0-	233,441	-0-
WEST	-0-	-0-	-0-	-0-	-0-	-0-	5,361,518	-0-
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-

CCC ADJUSTED PURCHASES SINCE 10/1/03 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL

REGION	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT (%)	
	2003/04	2002/03	2003/04	2002/03	2003/04	2002/03	2003/04	2002/03
CENTRAL	-0-	-0-	-0-	32,049,972	8,493,089	24,411,395	2.5	39.7
WEST	-42,309	11,446,631	-0-	9,174,240	325,328,429	522,433,475	96.2	59.2
EAST	-0-	-0-	-0-	-0-	4,283,774	37,569,796	1.3	1.1
TOTAL	-42,309	11,446,631	-0-	41,224,212	338,105,292	584,414,666	100.0	100.0

NDM SELLBACK TO THE TRADE The cumulative sellback total for 2004 is **67,347,152 pounds**.

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER NOVEMBER 15, 2002

MANUFACTURING MILK Average Test 3.67% - \$9.90 per cwt.

BUTTER Bulk \$1.0500 per pound; 1# Prints \$1.0850

CHEESE 40 & 60# Blocks \$1.1314 per pound; 500# Barrels \$1.1014; Process American 5# \$1.1889; Process Am. 2# \$1.2289

NONFAT DRY MILK Nonfortified \$.8000 per pound; Fortified \$.8100; Instant \$0.9625

U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 07/24/04 & Comparable Week 2003

Regions* (000 HEAD)											U.S. TOTAL		% DAIRY OF ALL	
	1	2	3	4	5	6	7	8	9	10	WEEK SINCE JAN 1	WEEK SINCE JAN 1		
2004-Dairy	0.1	0.7	6.7	2.6	19.8	2.3	0.9	0.7	11.2	2.6	47.7	1,342.3	49.3	46.9
2003-Dairy	0.2	0.7	6.8	4.6	19.3	2.5	0.4	0.9	12.8	2.3	50.5	1,617.9	45.8	47.9
2004-All cows	0.1	0.8	8.2	12.7	26.5	14.5	12.9	2.8	13.3	5.0	96.8	2,861.8		
2003-All cows	0.2	1.0	9.0	14.0	30.1	15.7	16.1	3.1	15.4	5.7	110.3	3,379.9		

SOURCE The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, the Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA.

CLASS III MILK PRICES, (3.5% BF)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2001	9.99	10.27	11.42	12.06	13.83	15.02	15.46	15.55	15.90	14.60	11.31	11.80
2002	11.87	11.63	10.65	10.85	10.82	10.09	9.33	9.54	9.92	10.72	9.84	9.74
2003	9.78	9.66	9.11	9.41	9.71	9.75	11.78	13.80	14.30	14.39	13.47	11.87

FEDERAL MILK ORDER CLASS PRICES FOR 2004 (3.5% BF)

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I 1/	11.85	11.59	11.94	13.64	19.65	21.13	17.95	14.62				
II	11.67	12.90	14.79	15.21	15.03	14.31	14.00					
III	11.61	11.89	14.49	19.66	20.58	17.68	14.85					
IV	10.97	12.21	14.10	14.57	14.50	13.72	13.31					

1/ Specific order differentials to be added to this base price are located at www.ams.usda.gov/dyfmoms/mib/cls_prod_cmp_pr.htm